

*Reaching across Arizona to provide comprehensive, quality  
health care for those in need.*



The Arizona Health Care Cost Containment System

Five-Year Strategic Plan  
FY 2004-2008

October 7, 2002

**Letter from the Director**

I am pleased to have the opportunity to provide you a copy of the AHCCCS strategic plan for the fiscal years 2003-2008. The context in which this plan was developed is critical to understanding the plan itself.

1. The demand for the AHCCCS program is closely tied to the economic well being of the state. In hard times our enrollment grows and when jobs are plentiful, our enrollment decreases. Over the last two years our enrollment has grown by 52%. Now we cover about 15% of the people in Arizona. This is the highest enrollment we have ever had in the 20 years of the program.
2. AHCCCS is modeled after an insurance company structure and based on the concept of making extensive use of the private sector to keep the "state bureaucracy" to a minimum. Therefore, approximately 95% of the AHCCCS funding is contracted out to private entities to deliver the health care.

With that as the context, we believe it is clear why we have chosen to focus on the activities that allow AHCCCS to improve and streamline its core business processes, develop and maintain its technology capability to the greatest extent possible, update its managed care concepts and work to educate the communities and people it serves.

The Auditor General of Arizona reported during the Sunset Audit that AHCCCS, "has been able to effectively manage member growth and has implemented seven new programs of eligibility groups within the past five years." The Nelson A. Rockefeller Institute of Government Study, which assessed Medicaid managed care stated, "Arizona...has perhaps the longest running, best-established managed care program in the country...(AHCCCS) has been extensively evaluated and has received uniformly high marks both for management and program outcomes." We are working to implement our strategic plan to insure citizens of Arizona, in need of health care, continue to receive quality health care in a cost effective manner.

Sincerely,

Phyllis Biedess  
Director

## AHCCCS Five Year Plan FY 04-08

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## **Vision**

Shaping tomorrow's managed health care... from today's experience, quality and innovation.

## **Mission**

Reaching across Arizona to provide comprehensive, quality health care for those in need.

## **AHCCCS Description**

The Arizona Health Care Cost Containment System (AHCCCS) is a partnership that includes the State, its counties, the Federal Government, program contractors and health plans from the public and private sector, to serve almost one million members by the end of FY '03. At the state level, the program is administered by the Arizona Health Care Cost Containment System Administration. The Administration's basic responsibility is to plan, develop, implement, and administer a health care program for low income Arizonans, based on competitively bid prepaid capitated contracts designed to provide quality health care while containing costs. The Administration's main responsibilities are setting policy and controls for eligibility administration, member enrollment, quality assurance of medical care, provider and plan oversight, and procurement of contract providers. The major medical programs are acute care, behavioral health services, and long term care. The Administration determines eligibility for the Arizona Long Term Care System, Children's Health Insurance Program (KidsCare), Qualified Medicare Beneficiaries, and for other SSI related Medical Assistance Only programs. Federal funding through Title XIX of the Social Security Act is provided to AHCCCS by the Centers for Medicare and Medicaid Services (CMS), which is under the Department of Health and Human Services. CMS provides Title XIX funding to AHCCCS, some of which is then transferred through Intergovernmental Agreements (IGAs) to the Arizona Department of Health Services and the Arizona Department of Economic Security for Title XIX programs operated by these entities.

## **Our Values**

- **Passion:** Good health is a fundamental need of everyone. This belief drives us, inspires and energizes our work.
- **Community:** Health care is fundamentally local. We consult and work with, are culturally sensitive to and respond to the unique needs of each community that we serve.
- **Quality:** Quality begins as a personal commitment to continual and rigorous improvement, self-examination, and change based on proper data and quality improvement practices.
- **Respect:** Each person with whom we interact deserves our respect. We value ideas for change, and we learn from others.
- **Accountability:** We are personally responsible for our actions and understand the trust our government has placed on us. We plan and forecast as accurately as possible. Solid performance standards measure the integrity of our work. We tell the truth and keep our promises.
- **Innovation.** We embrace change, but accept that not all innovation works as planned. We learn from experience.
- **Teamwork:** Our mission requires good communication among interdependent areas inside and outside the agency. Internally, we team up within and across divisions. Externally, we partner with different customers as appropriate.
- **Leadership.** We lead primarily in two ways: by setting the standards by which other programs can be judged, and by developing and nurturing our own future leaders.

## Code of Conduct

- We treat all people with courtesy and respect.
- Our decisions are not made in isolation from each other, or from our business partners.
- We listen, we learn.
- We tell the truth, we are accurate and we are consistent with what we communicate internally and externally.
- We consider all questions valuable.
- We expect each employee to continuously examine our business processes, and to suggest improvements.
- We expect each other to think outside the box, color outside the lines and make an occasional mess.
- We are ethical in all our dealings.

## Desired Outcomes:

- Maintain and/or improve the health status of the people we serve.
- Improve a system of care that seeks to provide the greatest good for the greatest number.
- Decrease the number of uninsured.
- Deal with critical health issues at the proper local, state or federal policy levels.
- Maintain an actuarially sound financial reimbursement system.
- Support our goals with a sound business infrastructure.
- Encourage, develop and provide our employees the opportunity to grow, creating a culture where people are innovative and make improvements in all we do.



## AHCCCS Planning Process

We want flexibility and constant improvement in our agency operations. Therefore we go through an annual process of **looking at our internal strengths and weaknesses, as well as external opportunity and threats.** We meet with our primary stakeholders to gather their collective thoughts as well as gather any recent survey findings from our other customers. Having the responsibility to cover the health care of almost 15% of Arizonans makes us mindful of member comments. From our assessment of strengths, weaknesses, opportunities and threats, we identify **where are we now**, which often identifies critical issues that must be addressed. Then we identify **where do we want to be, which includes addressing the issues.**

In identifying where we want to be, we reconfirm our **mission, vision, values and goals.** The **issues** are addressed by establishing **strategies** that will further improve the situation identified by the issues. The **strategies** are supported by **objectives** that will ensure the issues are addressed, **information technology** identifies how we are going to operate most efficiently, and **budget** identifies the necessary resources. At the same time we need to maintain flexibility so that we may shift our objectives to ensure we consider sentinel events, community standards of practice and breakthroughs in technology. Without this flexibility we would not foster experimentation, innovation and continuous improvement.

We measure our progress through **performance measures**. To ensure that we are using the right performance measures we are process mapping all of our core business processes. Through the mapping of our core business processes we will ensure that all participants both internal and external to AHCCCS understand the fundamental responsibilities and practices of the agency. Please note the positive outcome of the Auditor General Reports on AHCCCS dated July/August 2002. Our performance measures must focus on evaluating whether we are addressing the critical equation of what drives cost performance and quality of care in AHCCCS. We have maintained effective oversight of a mandated program with membership growth of more than 50% over the last two years, while our staff has grown 20%.

Objectives are detailed into specific, measurable, aggressive but achievable steps, that are result oriented and time bound. The objectives are then supported by **action plans**, which clarify who will do each step by a specific date. Our most critical objectives are **tracked on a monthly basis** during Executive Management operational reviews. We expect the responsible divisions to track all objectives on a monthly or more frequent basis to ensure they are ready for Executive Management's review. On a quarterly basis, we conduct an in-depth review of our critical strategic projects. Through this process AHCCCS is able to manage growth and force changes where necessary. It allows us to plan for the future while managing day-to-day activities.

The diagram on the following page shows our approach to balance the agency priorities. All projects are considered mandated, strategic, or day-to-day. This approach allows us to consider work on all three activities; it has allowed us to not neglect the strategic in favor of the mandated or day-to-day needs. **All lessons learned are shared with other managers, so improvement continues.**

### **Direction for FY03-FY08**

#### **Goals**

1. To focus on the need for AHCCCS to improve communication with communities, constituencies, special interest groups, and the public at large.
2. Where appropriate, to alter the existing AHCCCS medical care delivery system to accommodate new concepts in managed care with the highest level of cost effectiveness possible.
3. To continue to focus on emerging public policy in health care; its implications for the AHCCCS program and its impact on the AHCCCS desire for permanency.
4. To improve AHCCCS' core business process to prepare the agency to efficiently deal with fluctuations in Arizona's economy while still providing cost effective quality healthcare to those in need.
5. To ensure our human resources are encouraged, developed, and provided opportunities for future growth, creating a culture where people want to be innovative and make improvements.

AHCCCS  
2003 Strategic Plan Objectives

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*Day-to-Day Operations*

- Preparing for Change Goal 4
  - Leader Learning
  - Core Business Process
  - Quality Tools
- Business Continuity Plan Goal 3

Principle-based  
**Priority Setting**  
Processes

*Balanced*

*Mandated Programs*

- HIFA Goal 2
- Balanced Budget Act Goal 3
- HIPAA Goal 4
- Cost Sharing Goal 3
- Statewide Affordability Plan Goal 2
- Ticket to Work Goal 2
- HRIS Goal 4

*Capacity Building Projects*

- Evolution of Medicaid Managed Care Goal 2
- Acute Care RFP Goal 4
- Premium Sharing/HCG Integration Goal 2
- Direction of ALTCS Goal 2
- ACE Goal 4
- WEB Presence Goal 1
- Transplants and New Technology Goal 2
- IT Vision Goal 4
- Hawaii Claims Goal 4

**Strategic Issue #1 Reducing program complexity while instituting cost sharing techniques.** Improve the Alignment of Eligibility Criteria: AHCCCS received a Health Insurance Flexibility and Accountability (HIFA) waiver in December 2001 from the U.S. Department of Health and Human Services. By evaluating and redesigning, we can align the requirements of a number of our eligibility groups to allow a reduction of program complexity. At the same time, we can institute important cost sharing components including enrollment caps, premiums and co-pays. Through careful design AHCCCS can use the HIFA implementation to create a model which can be applied to other AHCCCS programs.



**Strategy A** By October 2002 eligible parents enrolled in Premium Sharing will become eligible for AHCCCS and enrolled as HIFA parents

**Strategy B** By January 2003 all parents of AHCCCS enrolled children who apply will be made HIFA parents

**Strategy C** By October 2003 Align eligibility criteria of the following programs: SOBRA, KidsCare, HIFA and PSP

All funding written (\$000)	FY04	FY05	FY06	FY07	FY08
Full Time Equivalent (FTE)					
General Fund					
Other Appropriated Fund	40,141.7	11,944.1	12,630.7	13,356.1	14,246.9
Non-Appropriated Fund					
Federal Funds					
<b>TOTAL FUNDS Strategic Issue #1</b>	<b>40,141.7</b>	<b>11,944.1</b>	<b>12,630.7</b>	<b>13,356.1</b>	<b>14,246.9</b>



**Strategic Issue #2 The Future of Medicaid Managed Care will be governed by two principles – back to basics and innovations with providers.** AHCCCS will be challenged to assist plans in strengthening and simplifying relations and contracts with providers. At the same time, we must adopt techniques which reward “best practices” in the core business functions of a managed care organization to insure that the mechanisms to promote cost effectiveness are firmly in place. The new managed care must be member friendly, recognize the core role of the physician in new ways, and monitor and promote efficient use of health care. Therefore, exploring incentives for health plans and providers to meet critical performance measures will be important. AHCCCS must also work to streamline its monitoring of plan performance by targeting those areas which are critical to achieve the outcomes we desire; high customer and provider satisfaction, cost effective care, financially viable plans and the provision of high quality care to AHCCCS members. AHCCCS’s ultimate objective is to improve the health of the population we serve to allow our members to be more productive citizens.



**Strategy A** The FY03 Request for Proposal will seek to address improved relations with physicians, appropriate geographical areas for plan coverage, new techniques for care coordination, improved use of technological linkages and new technology, insure diversity in plans contracting with the state and will use improved techniques for monitoring the financial impact of expanding populations.

**Strategy B** Plan for capped programs by building an infrastructure that will support and monitor them. This will require automated system changes to provide for capped programs, for previously, we have administered mandated programs without an enrollment cap. Thus our systems are not set-up to control capped programs.

**Strategy C** Pharmacy is one of the fastest growing expenses of healthcare today. We need to continue to develop systems to control this expense and make sure the needed medication is available to our members and others as possible. In the State Health Monitor, June 2002, “Arizona has the lowest drug costs per Medicaid beneficiary. Most Arizona Medicaid eligibles are enrolled in HMOs, and each HMO uses its own strategy for controlling drug expenditures, including rebateable formularies.” AHCCCS currently has an initiative underway, in which all contractors participate, to develop “best practices”. Once developed, AHCCCS will monitor to insure all plans have the full range of appropriate controls in place.

**Strategy D** Program fragmentation is occurring between medical programs such as Children’s Rehabilitative Services, Developmentally Disabled, Behavioral Health and the broader AHCCCS programs. AHCCCS must partner with program stakeholders to ensure this fragmentation is reduced as much as possible and appropriate monitoring of cost and care is occurring. This can be accomplished through cooperative systems and insuring coordinated care, which is more economical and comprehensive.

All funding written (\$000)	FY04	FY05	FY06	FY07	FY08
Full Time Equivalent (FTE)					
General Fund	106,651.5	66,662.8	70,352.2	74,237.4	79,617.0
Other Appropriated Fund					
Non-Appropriated Fund	7,236.0				
Federal Funds	274,463.4	136,887.8	144,463.7	152,441.7	163,488.3
<b>TOTAL FUNDS Strategic Issue #2</b>	<b>388,350.9</b>	<b>203,550.6</b>	<b>214,816.0</b>	<b>226,679.1</b>	<b>243,105.3</b>

**Strategic Issue #3 The growing number of seniors in Arizona and their eventual need for significant medical services and Long Term Care services will require a concerted effort by state and local government, business and industry and every community.** Without intervention at all levels now, an infrastructure to provide assistance to this group of people in the most cost effective manner will not be available when the need is the highest. (Goals 1, 2 and 4)

The number of Arizonans age 65 and older has increased by almost 40% from 1990 to 2000. Meantime, the national growth rate was only 12%. Health insurance is often out of reach for those 50 to 65 years old. Pharmacy benefits are often not available to those over 65. The AHCCCS Long Term Care population has an overall growth rate of approximately 10%, year over year. While this population accounts for about 4% of the AHCCCS population, the costs to care for them are approximately 21% of the AHCCCS expenditures. Effectively addressing this issue will require attention to establishing the leadership focus for this issue (multiple state agencies are involved), encourage the public discussion (including the Congressional delegation) of who government programs should serve, (what level of financial resources people should be able to shelter before the government takes over the cost of the care), and the role of the employer in offering long term care coverage to his/her employees.

AHCCCS must concentrate on three strategies: 1) Defining the agency role and involvement in the larger issue of long term care, 2) Exploring ways to simplify caring for seniors who have Medicare and Medicaid and, 3) As a contracting agency, do not put unnecessary barriers in the development of the long term care service delivery system development, but balance that openness with the necessary oversight of contracted entities as to the safety, quality and care delivered to AHCCCS members. In addition, attempt to recognize and match price to cost for each ALTCS setting.

**Strategy A** Define AHCCCS's role in relation to the larger long term care planning efforts of others throughout the state, assist in the development of a statewide vehicle to provide leadership on the continuum of services for seniors, the need for education and dialogue around the impact and immediacy of this issue, and the key question of who should be eligible for these services.

**Strategy B** Explore the development of a project with the federal government to integrate the financing and service delivery for those seniors who are eligible for both Medicare and Medicaid.

**Strategy C** Continue to expand choice in the community settings available to seniors who qualify for AHCCCS. The cost to serve a person in a nursing home is approximately twice what it costs to serve a person in their own home or an assisted living setting. More importantly, the overwhelming choice of seniors is to remain in their own home or a home like setting. With continued expansion of home and community based settings, must come a more comprehensive system for insuring the safety and quality of care delivered in those settings.

All funding written (\$000)	FY04	FY05	FY06	FY07	FY08
Full Time Equivalent (FTE)					
General Fund	12,414.7	9,950.7	10,501.4	11,081.3	11,884.3
Other Appropriated Fund					
Non-Appropriated Fund	8,115.2	9,950.7	10,501.4	11,081.3	11,884.3
Federal Funds	53,503.2	40,866.2	43,127.9	45,509.6	48,807.4
TOTAL FUNDS Strategic Issue #3	74,033.1	60,767.5	64,130.7	67,672.3	72,576.1

**Strategic Issue #4. AHCCCS must enhance the information technology system that supports Arizona's Medicaid program because of the current system's age, limited functionality and the mandated refinements required by the federal government.** The continued effectiveness of the Medicaid program to monitor the cost of and the care provided to over 800,000 Arizonans rests on the ability of the system to provide the necessary data. In addition, technology enables us to increase productivity and eliminate unnecessary activities. A routine review of these systems has convinced AHCCCS that the Prepaid Medical Management Information System (PMMIS) must be redesigned or replaced. Some of the factors that must be considered: 1) enhanced use of the Web, 2) wireless computing, 3) dynamic nature of technology within the equally dynamic healthcare field, 4) reduced costs with alternative systems, 5) difficulty in supporting the current system, and 6) new capability that is required by the federal government. Major new federally mandated programs requiring our compliance are: Health Insurance Portability and Accountability Act (HIPAA) and the Balanced Budget Act. Both require capabilities beyond the scope of the current system. Both have reasonably short time frames for compliance – less than a year. The need to enhance the system begins with conducting a review of the existing capabilities and shortcomings, explore what is currently on the market and evaluating short and long-term options. (Goal 2)

**Strategy A** By June 2004, the Capability Maturity Model (CMM) Level 2 will set documented processes and procedures in place to achieve all automation enhancements, thus setting the foundation that prepares our systems for continuous improvement. CMM level 2 certification establishes a strict guideline for all Repeatable Processes. This establishes cost control, scheduling and functionality ensuring that the necessary process discipline is in place to repeat previous successes on projects with similar applications. This will cover requirements management, software project planning, tracking and oversight, software quality assurance, software configuration management, and software sub-contract management. This will provide predictability, control, effectiveness and competitiveness. Then by June 2005 achieve CMM Level 3, which will formally define processes for both management and software development.

**Strategy B** Determine a management information system replacement strategy to pursue considering the following: 1) convert to new programming language and database-no new functionality, 2) convert to new programming language and database being internally HIPAA compliant and limited redesign, 3) redesign PMMIS with business reengineering, outsource and use a 3rd party product, and 4) build an entire new non-mainframe PMMIS. We must consider both a short and long-term strategy for HIPAA compliance, enhance functionality of the current system to provide greater cost savings and introduction of a decision support sub system.

**Strategy C** Update Central Office Telephone System through use of voice over a data line, thus eliminating toll bills. Central office is still on an analog system, which is over eight years old and is at capacity.

All funding written (\$000)	FY04	FY05	FY06	FY07	FY08
Full Time Equivalent (FTE)					
General Fund	672.9	1,733.3	1,733.3	1,733.3	
Other Appropriated Fund					
Non-Appropriated Fund					
Federal Funds	2,261.1	11,600.0	11,600.0	11,600.0	
TOTAL FUNDS Strategic Issue #4	2,934.0	13,333.3	13,333.3	13,333.3	

**Strategic Issue #5 Preparing for Strategic Change: Facing significant resource constraints in the midst of significant growth, AHCCCS is responding by seeking to improve its performance, realign its business strategies, and concentrate on improving its workforce's commitment and skills.** We believe we can achieve success by developing knowledge, skills and desire within our staff. AHCCCS will focus on 1) mapping our core business processes to insure each person understands our business and its needs. In addition, it will allow us to eliminate some processes and activities and strengthen our focus on what is absolutely required of us, 2) developing leadership skills at all levels in the organization will allow staff to act more independently and consistently and allow them to progress up the career ladder and, 3) skill will be developed by providing training in organizational development and quality tools to insure repeatable, data driven decisions are made by every AHCCCS staff member. (Goals 1, 4, and 5)

**Strategy A** The core business process mapping project will be achieved through internal staff training, then assisting the primary owners of each core business process to analyze each activity or sub process of their core business process. The core business processes are eligibility, enrollment, delivery network and ensuring medical quality. In addition, secondary processes are to submit waivers, make payments, handle grievances & complaints, and perform advocacy. The infrastructure linkages are: information systems, business infrastructure and human resources. AHCCCS will establish an agency core business process map, which will identify operational improvements. Progress on implementing the improvements will be monitored through monthly Executive Management meetings and quarterly performance measures.

**Strategy B** Leadership development plans will be developed for each person who supervises from executive management to middle management to frontline supervisors. These plans will be developed by each person working with their direct reports to tailor a mutually agreeable plan covering goals and skill development that will enhance the individual and agency's performance. This will enable each supervisor to naturally motivate their staff. In addition, the Human Resource Development section will coordinate a mentoring program and ensure that resources from the American Public Human Services Association, Arizona Leadership Academy and United States Office of Personnel Management as well as training courses such as "The Seven Habits of Highly Effective People" and "Achieve Global" are available.

**Strategy C** A process is in place to 1) encourage the organization to evaluate its work processes critically and continually, 2) keep the focus on quality improvement through the executive leading the quality movement and 3) guide the development of the tools and training to meet the above strategies. Skill development will balance the development of technical skills with leadership development, seeking continuous process improvement and an improved working environment.

All funding written (\$000)	FY04	FY05	FY06	FY07	FY08
Full Time Equivalent (FTE)					
General Fund					
Other Appropriated Fund					
Non-Appropriated Fund					
Federal Funds	105.7				
TOTAL FUNDS Strategic Issue #5	105.7				

**Total Resources for FY03 and Incremental Increases for FY04-FY08**

<b>F03 – FY08</b> All funding written (\$000)	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
<b>Full Time Equivalent (FTE)</b>	<b>3,277.8</b>					
<b>General Fund</b>	<b>630,532.0</b>	<b>119,739.1</b>	<b>78,346.8</b>	<b>82,586.9</b>	<b>87,052.1</b>	<b>91,501.3</b>
<b>Other Appropriated Fund</b>	<b>139,541.3</b>	<b>40,141.7</b>	<b>11,944.1</b>	<b>12,630.7</b>	<b>13,356.1</b>	<b>14,246.9</b>
<b>Non-Appropriated Fund</b>	<b>453,183.8</b>	<b>15,351.2</b>	<b>9,950.7</b>	<b>10,501.4</b>	<b>11,081.3</b>	<b>11,884.3</b>
<b>Federal Funds</b>	<b>2,304,405.9</b>	<b>330,333.4</b>	<b>189,353.9</b>	<b>199,191.6</b>	<b>209,551.3</b>	<b>212,295.7</b>
<b>TOTAL FUNDS</b>	<b>3,527,663.0</b>	<b>505,565.4</b>	<b>289,595.4</b>	<b>304,910.6</b>	<b>321,040.8</b>	<b>329,928.2</b>

- The FY03 appropriation as taken from the JLBC Appropriations Report was categorized into the AHCCCS five strategic issues as follows:
- Reducing Program Complexity (*Implementing HIFA*) – Includes the HIFA and CHIP appropriations
- *Future of Medicaid Managed Care* – Includes the Acute Base program and Proposition 204 expansion program appropriations
- *Future of Long Term Care* – Includes the ALTCS Program appropriation
- *IT Vision* – Includes the ISD, DOADC, and HIPAA appropriations
- *Preparing AHCCCS for Change* – Includes all other administrative appropriations

**Growth Assumptions:**

- Growth for FY04 mirrors the FY04 budget submittal by program.
- Growth for FY05 – FY08 is based on the population and rate increase assumptions used in the budget neutrality model.
- Member growth is based on anticipated Arizona Population growth as follows:
  - FY05 increase 1.43%
  - FY06 increase 1.30%
  - FY07 increase 1.18%
  - FY08 increase 1.18%
- Rate growth assumes an overall average inflation of 6.0% per year.
- \$40 million is included over FY05 – FY07 for the replacement of PMMIS (assumes 80% of the project would get 90% FFP, 20% at 75% FFP)

**Other Notes:**

- At this point, no increases are included for regular administrative programs in FY05-FY08.
- HIFA parents are assumed to continue into FY07 and FY08, even though at this point we do not know what the CHIP allotments will be at that time or if CMS will extend the waiver.